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# Major News Releases and Speeches



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## IN THIS ISSUE:

# Remarks

U.S. Department of Agriculture • Office of Governmental and Public Affairs

**Prepared for delivery by John B. Crowell, Jr., assistant secretary of agriculture for natural resources and environment, to the Western Timber Association, Sacramento, Calif., Feb. 25.**

**Point of Recovery**

I am privileged to address this meeting of the Western Timber Association, for the interests which we share have occupied much of my professional life. We believe firmly and fundamentally in effective forest management. I am pleased to join you at this turning point for the forest products industry.

These have been difficult years. The nation is in a recession, and has been for some time. And the forest products industry has been suffering through some of its most difficult times of this century.

But those days of agony are ending. The economy is beginning to recover. Housing starts are up, and the sawmills and plywood plants are opening once again. This evening seems a good time for us to reflect on how we brought about that recovery, and on how much more we need to do before that recovery is ensured for the forest products industry.

**The Reagan Record**

When President Reagan was inaugurated a little more than two years ago, inflation was 12.4 percent, the prime rate was 21 percent, and unemployment was 7.3 percent. Yet, with the help of the Federal Reserve Board, we have brought inflation down to 3.9 percent. The prime rate last week was half what it once was, and the unemployment rate has started its way back down. Retail sales are up, too. Automobile sales are up. The leading economic indicators have been up for eight of the past nine months. Interest rates have fallen by 30 percent in the past six months, and at last count we had a 40 percent increase in housing starts.

We have heard a lot of nonsense about the "Reagan recession," and about the failure of "Reaganomics," but that kind of criticism is short-sighted and just plain wrong. The record of this administration is that we took an economy which was loaded down with a staggering load of

excess baggage, and have done and are doing our best to lighten that load. The economy is recovering, and the forest products industry will lead the nation out of recession. In California alone, about 30 sawmills have reopened since October. The mills are reopening, and people are going back to work.

Despite these economic achievements, however, much remains to be done. The biggest challenge is the horrendous federal deficit. If we fail to reduce it, federal borrowing is likely to spur higher interest rates and to choke off the flow of investment capital to the private sector. The gains of the past two years could be swept away.

The economic principles are simple; ask anyone who keeps a budget. Whether we talk about personal or national finance, there are only two basic ways to reduce a deficit. You either bring in more income—in the case of the federal government, by raising taxes or by selling assets—or you spend less. To raise taxes appreciably would not be wise. That would have the same effect as greater borrowing, strangling the flow of investment capital.

The only sensible way to deal with federal budget deficits is to spend less—to reduce the rise in federal spending, which is what President Reagan has in mind. However, slowing federal spending is no simple thing to do, not with everyone insisting that the reductions come from programs other than those in which they have vested interests, and not with the clear and present danger facing us as a consequence of the monumental build-up of Soviet military capabilities. Year after year, many of the cuts the administration has proposed have been restored by the Congress, under fierce political pressure.

It remains to be seen just how federal deficits will be dealt with this year—or if they will be dealt with at all, though we have done our part to ensure that they will be. If these deficits aren't dealt with, and if we continue to finance the excesses of government through borrowing, then the economic recovery is likely to be short-lived and our economy will continue to stumble along.

I haven't come here to ballyhoo the economic accomplishments of the administration, though I believe that in two short years they are considerable. Nor have I come here to spend this evening itemizing the work ahead. However, I do believe that the best hope for the long-term prosperity of the forest products industry is a strong and vital

economy—and that ensuring this economic vitality entails sacrifice for us all. We have a common stake in continuing the economic recovery which is now beginning after such a difficult period.

I know also that you are keenly interested in other pressing issues, and I would like to share with you some of my thinking about two of them. First, let me talk about some of the things we are doing to try to ease the plight of timber purchasers, and the prospects for relief. Second, I want to discuss some of our reasons for reevaluating the national forest roadless areas which were studied five years ago, in RARE II. Then, I will be pleased to answer your questions about these and other concerns.

**Plight of the Timber Industry**

One of the knottiest problems we share is the current trauma in your industry, and the resulting amount of federal timber under contract which cannot be economically harvested at current prices.

I am not going to spoil your dinner by bemoaning further what you already know about the hard state of affairs in the forest products industry. But what concerns me deeply is that the possible consequences for federal timber purchasers may nag and hinder the industry for years. We have about 36 billion board feet of national forest timber under contract but not harvested. About 7 billion board feet of this—timber worth roughly $1.4 billion—is in California alone. The Forest Service estimates that nearly one-fourth of the national forest timber currently under contract in Oregon, Washington and California could not be operated profitably at even the highest product prices that the wood market has ever seen. What this means is that some of the high-priced timber sales will not be harvested during the original or even during extended contract terms, and the purchaser may default and subsequently be liable for damages.

**Forest Service Response**

This is a very difficult situation, most certainly for the purchaser, and also for the Forest Service. The spectacle of the United States government levying judgments on a substantial sector of an important regional industry is not to be relished by anyone. The question is, how do we spell relief?

The Forest Service estimates that it has granted about 1,500 timber contract extensions since October 1979. In California alone, it estimates that it has granted 192 extensions covering 485 million board feet worth roughly $70 million.

Last April, the Forest Service also changed its timber sale procedures to discourage future timber purchasers from buying and holding large volumes of timber under contract, and thereby getting into a jam similar to the one we now have. In addition, the Forest Service rearranged its 1982 timber sales programs in California, Oregon and Washington to offer shorter-term contracts of smaller volume, to give contractors a chance to buy timber at prices which would enable the timber to be harvested promptly. Stumpage rates came down substantially after these measures were begun, and the timber buyers were able to produce and sell some timber products and put some people to work. However, we have yet to evaluate the true effects of these actions.

**Legislative Response**

The 97th Congress considered several bills to grant relief to federal timber purchasers. Senator Hatfield, for example, introduced a bill which would have let the Forest Service terminate or extend timber sale contracts signed before 1982. Another bill, introduced by Senator McClure, would have allowed the Forest Service to adjust the termination date of contracts entered into before 1982. These bills were shaped through several compromises in the forest industry. However, several divisions within the industry have hampered the relief effort. Although the Senate Energy and Natural Resources Committee reported a bill in late September, the bill moved no further; thus, the legislation died with the 97th Congress. Similar legislation is likely to be reintroduced in the 98th Congress, but there is no reason to expect it will be any more successful.

In truth, the administration also opposed these relief bills, and still does. I worked diligently to find an appropriate solution that would meet the needs of both the administration and the Congress. In the end, I have concluded that it is impossible to fashion relief that treats all purchasers of federal timber, all segments of the industry, and the general public with fairness and equity. With such a standoff and the

problem continuing, however, we are still searching for a solution and are examining other options.

**Available Options**

(1) Do nothing:

One of these options, of course, is to do nothing further about relief—to let the economic chain of events run its normal course. However, such inaction would have obvious consequences in the large number of defaults and subsequent bankruptcies. Small- to medium-sized firms would suffer a disproportionately larger share of these bankruptcies because of their more precarious cash flows and credit positions, but some larger firms would probably go down as well. In due course, this would lead to a large amount of the region's sawmill capacity tied up in bankruptcy proceedings or in other actions which would diminish industry's ability to manufacture wood products. If we should continue to see an increase in housing starts and subsequent growth in timber demands, then this reduced production from a significant part of the industry could lead directly to higher prices for wood products.

In the long term, such bankruptcies could also lead to greater concentrations in the timber industry, and subsequently to a less competitive market for national forest timber. These defaults and bankruptcies would immediately and significantly affect many timber-dependent communities through the loss of jobs, loss of an economic base, and other consequences. Defaults would also require rescheduling of future timber sales in the same drainage or further along access roads, and could wreak havoc with reforestation and nursery production schedules. In short, the forest products industry, forest dependent communities and national forest management would suffer for years if we were to do nothing.

(2) Further extensions:

A second option available to us is to allow another round of contract extensions. This has some obvious appeal because it allows purchasers to harvest high-priced sales along with lower-priced sales, and therefore keep their average timber costs at an acceptable level. This would reduce their liability, diminish the likelihood of default, and therefore reduce the number of bankruptcies which we otherwise might expect.

Yet, extensions are not a good answer to the problem. The Forest Service estimates that the timber cannot be harvested economically at current prices on two-thirds of the national forest timber sales in Oregon, Washington and California—and that it may never be economic to operate nearly one-fourth of these timber sales. Extensions therefore would have to be for inordinately long periods of time and, to be helpful, would also have to be conditioned with little or no interest payments.

There is no way, in my view, by which free extensions are fair to dependent communities, and to purchasers who did not buy the sales at high prices. Thus, before further extensions would be granted, we would continue to require the contractor to pay at least the accumulated interst on the contracted stumpage value. I know very well that, when contracts have been extended for several years, the sum of those interest payments may be sizable and beyond the ability of some operators to finance. Therefore, extensions may not help some timber purchasers unless there is also some other measure of relief.

**Forest Service Analysis of Options**

The Forest Service is evaluating the costs to the government of letting contracts go into default. The agency conducted a rudimentary analysis in 1982, and published some preliminary figures last October.

However, that earlier analysis made it clear that there were many questions and issues surrounding timber relief which could not be satisfactorily addressed without a more thorough and sophisticated analysis. Therefore, the Forest Service is conducting a fuller analysis of costs to the government if no relief were available. This analysis will estimate how much of the volume under contract is likely to be defaulted, the value for which it is likely to be re-sold, the probable consequences to tax revenues, and how much timber would be turned back at varying percentages of the contract price, if buyers were given the opportunity to do so. This analysis is to be completed by the end of March, and we expect it will provide a more informed basis for considering subsequent actions. It may also bring out additional options which we hadn't previously seen and considered.

**Other Possible Options**

An option we intend to evaluate quite fully is the possibility of permitting purchasers to terminate their contracts upon payment of a certain proportion of the estimated contract value, which we would determine from the sophisticated situation analysis which is currently underway. Several considerations are behind this option:

One is that there is no reasonable expectation that the federal government will ever receive the full value represented by the prices bid on the outstanding timber contracts. If no contract relief is granted, some proportion of these contracts would be defaulted, and the consequent damages assessed against the defaulting purchasers would never be collected because of insolvencies or because extended litigation would make it impossible to trace assets.

Second, the federal government would incur substantial additional costs if no contract relief is provided. Those costs would occur in several forms. One form would be delayed receipts to the treasury, resulting from timber not being harvested because bid rates are too high to allow economic operation. Another form would be reduced individual income and corporate taxes from those affected in the timber industry. Still another cost would be increased federal expenditures for unemployment compensation and similar programs.

We think it is theoretically possible to determine what the government is likely to net if no contract relief of any kind is granted. One objective of the Forest Service analysis is to determine what that amount is likely to be and then to evaluate the implications of the government's receiving that net amount in an alternative form consisting of two parts:

The first part would be realizations from resale of timber from terminated contracts.

The second part would be payment of the remainder in the form of a cash "buy-out" if you will, stated as a percentage of the original contract price.

I want to make it clear that no proposal has yet been made. The Forest Service study has not been completed. The U.S. Department of Agriculture has not yet identified the nature of the legal authority necessary to implement such an option. The administration has yet to develop a position on this option. However, we do consider it possible

that such an approach might offer a constructive and equitable resolution of the current morass surrounding National Forest timber sale contracts.

**Reevaluation of National Forest Roadless Areas**

Let me turn, now, to another of your concerns. I want to discuss what we have in mind in the reevaluation of national forest roadless areas, which I announced earlier this month. Briefly put, we will try again to settle the wilderness or nonwilderness questions for many national forest roadless areas, this time through the forest planning process on each national forest; however, we hope Congress will settle those questions first.

We were reluctant to make this decision, because these roadless areas had been studied only 5 years ago, in the second roadless area review and evaluation—or RARE II. We had little choice, however. Our decision was prompted when the Ninth Circuit Court of Appeals, last October, affirmed a lower court's decision in State of California vs. Block. That ruling held that the RARE II environmental impact statement was legally inadequate as a basis for allocating land to nonwilderness in 46 areas in California.

The effect of this court ruling was to make logging operations and many other developments in national forest roadless areas in Oregon, Washington, California, Idaho, Montana, Arizona and Nevada vulnerable to challenge—and with virtual certainty of success. The decision is also indistinguishable legal precedent for RARE II areas in other circuits, meaning that it is likely to be applied in other states, as well.

**Legislative Solution is Best**

We considered a variety of possible solutions to this quagmire. We concluded that the best solution, by far, continues to be for Congress to enact national sufficiency language, which would simply declare that the RARE II environmental statement is legally sufficient. This would eliminate the need to evaluate each of the RARE II areas again during the current cycle of forest planning. Though an effort to get such a legislative solution last December failed, we have offered to work with the 98th Congress in developing and enacting such nationwide

legislation. We are also willing to help Congress develop acceptable statewide wilderness bills which contain sufficiency and release language. Meanwhile, we will rely on the original RARE II recommendations as our basis for taking positions on various state wilderness bills—though we will oppose any but small additions to those recommendations.

**Reevaluation through Forest Planning**

However, we will not sit on our hands, in the interim, and wait for Congress to act, because planned uses of many roadless areas could be challenged administratively or in the courts at any time. This possibility could disrupt and hinder effective forest management. So, we have chosen instead to reevaluate these RARE II areas through forest planning. This will also provide an "insurance policy," which will enable us to proceed with planned forest management should Congress be unable to agree on statewide wilderness bills which are acceptable to the administration.

We are still developing many of the details about the reevaluation, but let me mention several things we do know:

The reevaluation of these RARE II areas will cover about 1,240 areas allocated to nonwilderness, totaling 23 million acres, plus 340 areas—covering 5.7 million acres—which had been recommended for wilderness. Fortunately, Congress has resolved the roadless area issue with sufficiency language in the wilderness bills for Alaska, Colorado, New Mexico, Indiana, Missouri and West Virginia. So, we won't have to reevaluate the roadless areas in those states.

Some people have asked why we are reevaluating the areas recommended for wilderness, since the court decision didn't challenge those recommendations. The reason the court decision didn't mention these areas is because they weren't raised by the plaintiffs. However, it seems to me that the allocation of roadless areas to wilderness using the RARE II environmental impact statement could be challenged on many of the same legal grounds as their allocation to nonwilderness. If the environmental statement is insufficient for one, isn't it also insufficient for the other?

Before we can begin to reevaluate these RARE II areas, however, we will have to amend the Forest Service's land management planning

regulations required by the National Forest Management Act. This will involve eliminating the prohibition against considering nonwilderness areas for wilderness, and adding whatever other provisions are necessary to provide for the reevaluation of these areas. We are trying to speed up this process as much as possible, so we will make only those changes which are absolutely necessary.

Of course, this reevaluation will involve delaying some forest plans for periods ranging from 6 to 24 months. In some plans, correcting the environmental statement's deficiencies will mean only minor disruptions. However, other plans will encounter major delays—particularly on forests which soon will issue or have already issued draft plans. These forests will have to look again at the roadless areas, and issue supplemental drafts where appropriate. The situation and amount of delay will vary among forests, but we won't know the details until the Forest Service provides further directions to the forest supervisors next month. However, I expect that the first draft forest plans to include reevaluations will come out in about six months.

One final point I want to make on this is that, while this reevaluation is underway, we are not going to halt all planned activities in these roadless areas, since this would precipitate crises in many communities. Admittedly, there is some logical inconsistency in allowing activities to proceed in these areas while we are considering them for possible wilderness designation, but this is the most practical way to proceed.

Since 1979, the Forest Service has made about 500 timber sales in RARE II areas allocated to nonwilderness. These encompass about 300,000 acres and 1.6 billion board feet. Around 350 of these sales are still current. Another 41 sales, involving roughly 98 million board feet, have been advertised or are pending award. In the Forest Service's 1983 timber sales program, about 1.2 billion board feet—roughly 10 percent of the total—are in these areas allocated to nonwilderness.

A lot of these areas were off-limits for timber harvest for years—first through RARE I, and then RARE II—while other areas were harvested to their full capacity. To halt timber harvests in these RARE II areas again, would make it extremely difficult or impossible for some national forests to maintain a stable timber program. As a result, several groups have urged us not to cause a major disruption to

dependent industries and communities by halting activities in these roadless areas. We don't intend to.

With that assurance, let me bring this to a close. Whenever I reach this point in an evening speech, like this, I remember a sign in a friend's kitchen which says, "Lord, fill my mouth with worthwhile stuff, and set me down when I've said enough."

That's a good rule for speakers. I think I've said enough, and I hope it's been worthwhile, for these are important times in your important industry.

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# Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

**Statement by Secretary of Agriculture John R. Block before the Senate Agriculture Committee, Feb. 25.**

Mr. Chairman, I appreciate the opportunity to discuss with the committee the legislative proposals for programs to assist in the export of U.S. agricultural products.

We support useful measures to increase exports in today's difficult international marketing climate for agriculture. We have the authority to implement export promotion programs and have already done so on a selective basis which will make them most effective. We have used our authorities to develop the Egyptian wheat flour sale, for example, and we will continue to take such necessary actions when warranted.

These tools, however, are not applicable to all market situations; they must be developed in a selective manner to meet specific situations where we face subsidized competition. We must ensure that we are effectively expanding our demand base and not displacing other U.S. sales of any type or interfering with existing trade flows from other exporting countries that compete fairly in the world marketplace.

**Administration Policy On Trade And Agriculture**

In his State of the Union message, President Reagan made very clear his position on trade. He proposed a broader strategy in the field of international trade that increases the openness of the world trading system and is fairer to America's farmers in the world marketplace. He asked for new negotiating authority to remove barriers and to get more of our products into foreign markets. However, in seeking a broader strategy, the objective remains one of promoting free trade and increasing the flow of American goods.

Previously, the president has taken significant actions to enhance agricultural trade. He lifted the Soviet grain embargo, and he aggressively sought to restore American agriculture's reputation as a reliable supplier. He explicitly stated that restrictions will not be imposed on farm exports because of rising domestic prices, that farm exports will not be singled out as an instrument of foreign policy and

that world markets must be freed of trade barriers and unfair trade practices. Most recently, he signed legislation to ensure the sanctity of export contracts for U.S. agricultural commodities.

The administration's aim is to preserve and extend the benefits of freer trade. To do this will require resisting protectionist pressures at home while continuing to urge foreign governments to eliminate their more objectionable trade-distorting policies.

The practices of some foreign governments pose extremely difficult issues for U.S. trade policy. The European Economic Community now engages in massive subsidized export of agricultural products to dispose of the surpluses created by its high internal price-support program. Other countries, such as Japan, severely limit market access. These measures depress world prices of agricultural products, imposing substantial costs on U.S. producers in a sector where the United States holds a clear comparative advantage.

The United States traditionally seeks to induce other nations to move in the direction of freer trade and away from government interference, and we will continue to do that. This policy has served this nation and the agricultural economy well. U.S. farm exports tripled between 1971-1981—creating jobs and many other economic benefits.

However, there is a potential role for carefully targeted measures, explicitly temporary, aimed at convincing other countries to reduce their trade distortions. There are obvious risks that this could lead to a trade war in which everyone will lose. The production from two out of every five acres planted in this country is exported and we must preserve the market system which will yield the benefits of our comparative advantage. Protecting an inefficient industry is contrary to free trade and is objectionable protectionist policy. However, a recognition that a government has the obligation to give an efficient industry access to an open market is another story. We intend to fulfill our obligation to this nation's farmers.

**Current Trends in Agricultural Exports**

The value of our agricultural exports is down—by close to $5 billion in fiscal 1982 from the record $43.8 billion in fiscal 1981, with indications of a further decline in the current year. While part of this

decline is due to lower prices, export volume for most commodities is also down.

We share with the rest of the U.S. economy the negative effect on exports of the global recession and the strong dollar. But we also face problems that are peculiar to agriculture. Our situation is aggravated by record world crops of grain and oilseeds, huge supplies in both importing and exporting countries and by a number of special problems that affect our competitive position.

One important aspect of the current slump in exports is the fact that not only are U.S. agricultural export totals declining, the U.S. share of the world market also has turned down.

This is readily apparent in wheat and feedgrains. Despite the fragile condition of the world economy, world wheat consumption and import demand have continued relatively strong. U.S. wheat exports, however, are declining sharply this year, after a large increase last year. in the absence of any efforts by the European Community to restrain subsidized exports, we project a decline in our wheat shipments in the neighborhood of 7 million tons for 1982/83, while those of our competitors are projected to increase by about 6 million tons.

World production and consumption of feed grains has also been increasing. However, production has been increasing faster than consumption for the past two years, and the level of world trade has dropped.

This has brought a decline in U.S. feed grain exports, as might be expected, from 72.4 million tons in 1980/81 to a projected 55.9 million tons this year. But we are losing not only because of slack demand—we are losing to competition. The increase in shipments held by other suppliers explains some of the U.S. decline in feed grain exports. The rest comes primarily from the drop in demand, particularly from the USSR and Eastern Europe.

We are concerned, also, about the drop in exports for numerous other commodities including cotton, soybean meal and oil, rice and poultry. Moreover, our share of the world cotton market, for example, fell from 40 to just over 30 percent from 1980 to 1982. Our meal and oil share went from 40 to 30 percent in three years and broiler share is down by one-third.

There are many reasons for these export losses. The greatest adverse effects on our exports stem from a worldwide recession and a strong U.S. dollar overseas. Other reasons include the increased use of subsidies by competitor nations, and the continuing effect of the 1980 embargo on sales to the Soviet Union, when the U.S. share of the Soviet market for grain plunged from about 70 percent to less than 24 percent.

After President Reagan lifted the embargo in 1981, U.S. exports to the Soviets increased—reaching 13.9 million tons in fiscal 1982. This was an increase of more than two-fifths from the embargo level and close to the level of pre-embargo shipments. However those 13.9 million tons still represented only 35 percent of the USSR grain market last year.

And in the current year, the Soviet market remains the single largest market for grains—more than doubling in size in four years—and U.S. farmers have lost that growth to competitor countries. The embargo stimulated production in those countries, and they have increased their sales to other markets as well as to the Soviet Union.

The decline of U.S. agricultural exports is a cause for serious concern. It means that we have serious competitive problems that prevent us from holding our own with other exporting countries.

Our projections for the next two years show that U.S. exports will continue to decline unless we act forcefully to restore our position.

**What Are We Doing?**

We are streamlining and adapting the tools provided under all of our existing authorities to make them more effective and to reverse the decline. We have taken new initiatives and are studying others to bolster U.S. agriculture's competitive ability.

We are especially interested in the results from the new ways in which we are using export credit, particularly the blended credit program.

This program was developed primarily to compete with foreign subsidies and to penetrate markets in those developing countries, which, as a group, were a leading growth market until the credit crunch sharply reduced their ability to buy. We felt blended credit would be an

effective tool to (1) meet subsidized competition, and (2) facilitate financing by importing countries.

The blended credit program uses Commodity Credit Corporation (CCC) GSM-5 direct credit and GSM-102 commercial export credit guarantees. Direct credit, offered interest-free, is combined with credit guarantees into a single package to produce an interest rate competitive with those offered by other suppliers.

We wanted to generate immediate sales of U.S. agricultural products that would not otherwise have been made and, for the longer term, to lay the groundwork for continuing U.S. sales when economic conditions improve.

The blended credit program was announced last Oct. 20 at $1.5 billion over three years. One hundred million in direct, interest-free government credit was to be blended with $400 million in credit guarantees during fiscal 1983, with like amounts scheduled for each of the next two fiscal years.

The response from foreign governments in importing nations was immediate and enthusiastic. By year's end, the entire $500 million had been allocated to finance exports of more than 2.5 million tons of U.S. wheat, corn, vegetable oil, soy meal and cotton.

President Reagan followed this up on Jan. 11 by allocating $250 million more in interest-free credit to be blended with $1 billion in credit guarantees to finance at least $1.25 billion in additional blended credit export sales during fiscal 1983. One month after the announcement, the first credits were approved under the new program—for the sale of corn, rice, soybeans and lumber to Jamaica.

The first $500 million of blended credit was allocated to eight countries. These included Morocco where, with blended credit and straight credit guarantees, we captured virtually all of the almost 2-million-ton wheat market, which has been dominated by subsidized wheat from France.

Another credit package, negotiated on the scene with the Yemen Arab Republic, allows that country to increase its imports of wheat and rice, giving U.S. agriculture 100 percent of those markets this year.

Elsewhere, to give a few examples, the first use of blended credit permitted Pakistan to increase imports of U.S. vegetable oil; it opened the door for the U.S. to penetrate the new and growing Philippines

market for soybean meal, which has been supplied almost entirely by Brazil and it cleared the way for the first substantial sale of U.S. cotton to Yugoslavia in almost 15 years.

We have also completed a supply agreement with Mexico, which I signed last week, using private export credit. It covers 6.2 million tons of U.S. corn, sorghum, soybeans and other commodities during 1983 and provides over $1 billion in U.S. credit guarantees to facilitate these sales.

This aggressive use of credit in new ways and with existing programs is important beyond the increase in export totals that have been generated. We are achieving the objective of market penetration in the face of competitor export subsidies and helping our exporters into markets that, while currently suffering some financial constraints, offer good growth potential as conditions improve.

To meet our needs in this effort, the authorization for the GSM-102 program in FY 1983 has been increased to $4.8 billion from $2.8 last fiscal year.

We continue, of course, to use Public Law 480 to support market expansion, and we made a special effort this fiscal year to speed up the programming of P.L. 480 Titles I/III. As a result, agreements signed during the first quarter of fiscal 1983 totaled $391 million, representing 50 percent of total dollar allocations for the year. This is well above the 10-year average for this period and exceeds the dollar amount and the percentage signed for any of the 10 years.

In our budget request for fiscal 1984, we have asked for an increase of $13 million in the Title I/III sales over FY 1983 to $872 million. This level of funding will provide long-term financing for about 3.7 million metric tons of commodity exports.

The committee is familiar with our efforts to negotiate an end to the use of subsidies by the European Community—subsidies that undercut market prices, erode the U.S. share of traditional markets and absorb growth that would have gone to U.S. producers.

We have met with the community three times since the GATT Ministerial last November failed to come to grips with the issue of agricultural export subsidies. A bilateral report on the status of these consultations is due in March. While we are not necessarily confident that we can negotiate a satisfactory solution with the EC very soon, we

will continue to make every effort to do so and at the same time continue policies that help us remain competitive.

This administration is committed to resolving this issue by negotiation, but meanwhile it is imperative—and only fair—that we do all that we can to defend our markets.

I have described our major efforts in this regard—blended credit, credit guarantees and others—and I am pleased with their results.

The recent arrangement for the sale of 1 million tons of U.S. wheat flour to Egypt is one type of effort, and it is working out very well. This was a limited, selective action intended to make U.S. wheat flour competitive in price in the face of export subsidies of other nations.

In the past few years, the Egyptian market for flour imports has been dominated by the European Community through its use of export subsidies. In January we worked out an arrangement with the Egyptians that allowed us to capture that market through the creative use of CCC credit guarantees and competitive pricing. The package includes credit guarantees under GSM-102 along with a competitive price to be made possible through the awarding of CCC-owned wheat to American millers who bid successfully for the business. This is based on a negotiated price of $155 a ton delivered to Egypt.

As I said, the Egypt flour sale is one type of payment-in-kind arrangement—in this case providing for a payment of CCC-owned wheat to flour millers to enable them to mill and export flour at a competitive export price which otherwise would not be possible. There are other types of possible export PIK arrangements—each permitting us to use CCC stocks to help U.S. exporters be more competitive.

The Egypt flour sale was possible under authorities of the Commodity Credit Corporation Charter Act, and we obviously could use those authorities again. Indeed, we will use them again when we feel it is warranted.

We have made considerable use of existing authorities in ways that will increase our agricultural exports, especially in those areas where we face subsidized competition. We view some of these uses as only temporary, but we will continue to use them as necessary, and in each action we plan to meet the following criteria:

— Selectivity. It must be targeted to selected countries; it would not be a general subsidy program.

— Additionality. It would not displace other U.S. sales, whether they be cash, credit or concessional.

— Non-interference. It would not interfere with existing trade flows from other exporting countries that compete fairly in the world market place (i.e. those that do not use export subsidies). It would not cut into their normal trade.

— Demand Expansion. It would expand the demand base, not simply redistribute existing trade.

— International Rules. It would be consistent with our international obligations.

**Summary**

In summary, Mr. Chairman, we have and will continue as necessary to use our existing authorities in innovative ways to meet the competition and help maintain our market share.

Our hope is that other countries will realize that we will not stand idly by when we lose markets because of unfair competition or trade restrictions. And when they understand this, and recognize that all could be losers in this type of competition, we would hope that we could move to freer trade and relieve the United States from the burden of making virtually all the stocks and production adjustments necessary to meet the changing conditions of world agriculture.

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# News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

## USDA TAKES COURT ACTION ON MEAT ACT VIOLATIONS

WASHINGTON, Feb. 22—One firm and three individuals have been sentenced in recent weeks in U.S. district courts for violations of the federal meat inspection laws, said U.S. Department of Agriculture authorities.

Compliance officers of USDA's Food Safety and Inspection Service investigated the offenses in California and New Jersey.

— California: The Roman Sausage Co., Santa Clara, Calif.; Vito Formica, the firm's president, and Arlindo Silva, its secretary-treasurer, pleaded guilty Jan. 5 to one misdemeanor charge each of selling sausage containing excessive fat and water.

USDA sought prosecution after an investigation showed the company had sold the adulterated pork to the Defense Logistics Agency, Alameda, Calif., from April through November 1981.

The U.S. District Court for the Northern District of California fined Roman Sausage $2,500, and Formica and Silva $500 each, for violating the Federal Meat Inspection Act by transporting and selling adulterated and misbranded meat food products with intent to defraud.

— New Jersey: Charles Tuck, owner of Scottish Pie Co., Kearny, N.J., pleaded guilty Dec. 30 to five misdemeanor charges stemming from a March 1981 incident in which USDA compliance officers found uninspected meat from his company in a Stamford, Conn., delicatessen.

The District Court for the District of New Jersey fined Tuck $2,500 for transporting uninspected meat in interstate commerce. The court suspended a prison sentence but placed him on two years' probation with the condition that he comply with all USDA regulations relating to his business.

USDA inspects meat and poultry sold in commerce to ensure that it is wholesome, unadulterated and accurately labeled.

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## DELTA AIR LINES AGREES TO PAY $1,000 PENALTY TO SETTLE ANIMAL CARE CHARGE

WASHINGTON, Feb. 22—Delta Air Lines, Inc., Atlanta, Ga., has agreed to pay a $1,000 penalty to settle a charge of violating federal animal transportation standards, a U.S. Department of Agriculture official said today.

Dr. Richard L. Rissler, the veterinarian who directs animal care field activities for USDA's Animal and Plant Health Inspection Service, said the settlement resolves a charge that Delta's agents accepted two dogs for shipment from Little Rock, Ark., to Portland, Ore., on March 15, 1982, in crates that were too small and not structurally sound.

The Animal Welfare Act requires commercial carriers such as Delta to meet federal standards if they accept live animals for transportation. The standards cover size, ventilation, markings and construction of animal crates as well as the conditions under which animals were shipped.

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## USDA APPROVES BLENDED CREDITS FOR BANGLADESH

WASHINGTON, Feb. 22—Secretary of Agriculture John R. Block has announced the approval of $28 million worth of blended credits for the sale of U.S. wheat to Bangladesh.

Block said the blended credits package will enable Bangladesh to purchase substantially more U.S. wheat than would otherwise have been possible in the current marketing year.

Under the Commodity Credit Corporation blended credit program, interest-free direct credits under the export credit sales program are blended with government-guaranteed bank credits under the export credit guarantee program.

On Jan. 11, $250 million in direct credits and $1 billion in credit guarantees were made available. The $1.25 billion in combined credits is in addition to the $500 million authorized last October.

Further details on the blended credits package to Bangladesh will be announced later.

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## UNITED STATES TO DONATE DAIRY PRODUCTS TO MEXICO

WASHINGTON, Feb. 24—Secretary of Agriculture John R. Block today announced the United States has signed an agreement with Mexico to donate over 30,000 tons of Commodity Credit Corporation dairy products to Mexico to assist the needy. The products were acquired at a cost of $80 million.

The donation will include 20,000 tons of nonfat dry milk, 6,460 tons of butteroil, 2,000 tons of processed American cheese and 2,000 tons of Cheddar cheese to be delivered from March through December this year.

Block said the dairy products will be used primarily in school breakfast and lunch programs, as dietary supplements for pregnant women and infants, and at special centers for the elderly, handicapped and mentally ill.

The Mexican government agency responsible for family assistance and social programs will carry out the distribution program for the commodities in Mexico, Block said.

He said that the U.S. products donated to Mexico under this program will not displace dairy products that would normally be purchased on the commercial market for the intended recipients.

This is the sixth donation under recent legislation which amended Section 416 of the Agricultural Act of 1949 to allow the Commodity Credit Corporation to donate its surplus dairy products to help needy people overseas. The Act also authorized domestic donations of these dairy products to help needy Americans.

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## WOLF NAMED ACTING ADMINISTRATOR OF HUMAN NUTRITION INFORMATION SERVICE

WASHINGTON, Feb. 24—Secretary of Agriculture John R. Block today named Isabel D. Wolf, the U.S. Department of Agriculture's consumer advisor, as acting administrator of USDA's Human Nutrition Information Service effective March 1.

Wolf will succeed Esther Winterfeldt, who is returning to administration and teaching at Oklahoma State University, Stillwater, from which she has been on a leave of absence.

"I sincerely appreciate the expertise and hard work Winterfeldt has demonstrated," Block said. "I'm sure Wolf's experience and background in the nutrition field, as well as her position as USDA's consumer advisor, will serve her well as acting administrator."

Winterfeldt said, "There is a deep sense of commitment here at USDA to disseminating appropriate nutriton information and performing important human nutrition research. I am proud of the association I have had with the leadership of the U.S. Department of Agriculture over the past year and have enjoyed participating in the development of USDA policy."

Wolf came to USDA from the Department of Food Science and Nutrition at the University of Minnesota where she served as associate professor and extension specialist.

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## USDA TO ISSUE DATA ON ACREAGE REDUCTION, PAYMENT-IN-KIND PROGRAMS

WASHINGTON, Feb. 25—The U.S. Department of Agriculture's Statistical Reporting Service will issue a special report March 22 at 3 p.m. detailing farmers' signup in the 1983 acreage reduction and payment-in-kind programs.

According to agency administrator William E. Kibler, the report will include data on the number of farms with base acreages and the number of farms enrolled, as well as total base crop acreage and the number of acres enrolled for feed grains, rice, wheat and upland cotton.

He said the release will carry both national and state totals for each of the four program commodities.

Data, which will cover all states except Hawaii (but which will include Puerto Rico), will be summarized from raw signup figures channeled from county offices of USDA's Agricultural Stabilization and Conservation Service to Statistical Reporting Service state offices and tabulated under security at USDA's Washington headquarters.

The special report also will provide state and national data on each of the program signups: acreage reduction, 10-30 percent PIK and whole farm PIK.

Farmers must participate in the previously announced reduced-acreage and paid-diversion programs to be eligible for program benefits such as Commodity Credit Corporation loans and purchases, PIK and target price protection. For wheat and feed grain producers, participation is also required to be eligible to enter the farmer-owned grain reserve.

The report also will indicate the percent of farms and base acreage enrolled, the acres required for conservation use, the base acreage of participating farms and total permitted acreage by states.

Because of the sensitivity of the enrollment and acreage data, the report will be released from the Statistical Reporting Service's lockup facility following the close of commodity markets.

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## JANUARY RETAIL FOOD PRICES INCREASE

WASHINGTON, Feb. 25—Food prices in January rose 0.6 percent before seasonal adjustment, and were 2.5 percent above January a year ago, according to the monthly consumer price index released today.

According to Assistant Secretary of Agriculture William Lesher, prices for food bought in grocery stores rose 0.5 percent after declining in each of the preceding five months, with resulting price levels 1.5 percent above January 1982. Prices for food bought away from home rose 0.6 percent and were 4.9 percent above January last year, he said.

With few exceptions, most food prices increased near the 0.6 percent average, and ranged 1 to 6 percent above January 1982, Lesher

months of price specialing for selected pork cuts. Beef and veal prices increased 0.4 percent reflecting a decrease in beef slaughter. Prices for fish and seafood rose 1.9 percent due to reduced supplies.

Fresh fruit and vegetable prices decreased 1.1 percent. Fresh fruit prices declined 2.0 percent reflecting large supplies of oranges and other citrus fruits. Fresh vegetable prices decreased 0.3 percent, led by a 13.2 percent decrease in tomato prices, do to large supplies resulting from large plantings and the mild winter weather.

Nonalcoholic beverage prices increased 1.6 percent as higher prices for sugar and artificial sweeteners have exerted upward pressure on retail prices for soft drinks. Roasted coffee prices also increased, the result of higher marketing costs.

**January Retail Food Prices, Percent Change for Selected Items**

| Items | December to January | | January 1982 to January 1983 |
|---|---|---|---|
| | Not seasonally adjusted | Seasonally adjusted | |
| | *Percent change* | | |
| All food | 0.6 | 0.1 | 2.5 |
| Food away from home | 0.6 | 0.3 | 4.9 |
| Food at home | 0.5 | 0.0 | 1.5 |
| Meats | 0.4 | 0.1 | 5.6 |
| Beef and veal | 0.4 | -0.1 | 0.7 |
| Pork | 0.7 | 0.5 | 15.9 |
| Other meats | -0.1 | * | 4.3 |
| Poultry | 0.5 | * | -1.5 |
| Eggs | 0.2 | 0.1 | -8.7 |
| Fish and seafood | 1.9 | 0.5 | 0.9 |
| Dairy products | 0.7 | * | 1.5 |
| Fats and oils | 0.3 | * | -0.9 |
| Cereals and bakery prods. | 0.5 | * | 2.9 |

**January Retail Food Prices, Percent Change for Selected Items—Continued**

| Items | December to January: Not seasonally adjusted | December to January: Seasonally adjusted | January 1982 to January 1983 |
|---|---|---|---|
| | | *Percent change* | |
| Fruits and vegetables | -0.5 | -2.4 | -6.3 |
| Nonalcoholic beverages | 1.6 | 0.7 | 3.0 |
| Sugar and sweets | 0.6 | * | 2.7 |
| Other prepared foods | 0.7 | * | 3.0 |

* A seasonally adjusted index is not available for these items.

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